

Service Date: June 6, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of)	
MONTANA-DAKOTA UTILITIES COMPANY, a)	UTILITY DIVISION
Division of MDU Resources Group,)	
Inc., for Authority to Implement the)	DOCKET NO. 90.5.28
Gas Cost Tracking Procedure to Estab-)	
lish Increased Rates for Gas Service.)	INTERIM ORDER 5476
_____)	

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INTERIM ORDER

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FINDINGS OF FACT

On May 3, 1990, the Montana-Dakota Utilities Company (Company or MDU) filed with the Montana Public Service Commission (PSC or Commission) its biannual application to implement the Gas Cost Tracking Procedure as set forth in MDU tariff sheets 87 and 88. The filing was assigned Docket No. 90.5.28. The Company requested the Commission issue a Final Order allowing the adjustment to be implemented effective June 1, 1990, subject to Federal Energy Regulatory Commission (FERC) approval of the wholesale gas cost changes of Williston Basin Interstate Pipeline Company (WBIP).

The tracking procedure provides for adjusted rates on the basis of a Current Gas Cost Tracking Adjustment and an Unreflected Gas Cost Tracking Adjustment amortized over a projected six-month sales period.

The Unreflected Gas Cost Adjustment filed by MDU includes two unusual items; a PSC Tax refund, and deferred revenues plus interest authorized by the Order on Reconsideration in Docket No. 88.11.53. These items are discussed below.

When the PSC Tax rate decreased in August of 1989, all utilities were required to reduce rates to reflect the impacts of the decrease. In an effort to reduce filing costs, MDU was allowed to defer recognition of this change until a later date. The change was later recognized in conjunction with Order No. 5399b. Additionally, the Commission required MDU to track the difference with interest and refund those amounts in an upcoming tracker filing through the Unreflected Gas Cost Adjustment.

In Order No. 5399d The Commission authorized MDU to increase its rates by \$38,000 on an annual basis at the time of the next tracker filing. To compensate the Company for foregone revenues associated with the delayed implementation of the rate change, MDU was allowed to track the difference and accrue interest on that difference. MDU has included the difference plus interest in the Unreflected Gas Cost Adjustment. The authorized \$38,000 increase has been reflected in this filing as well.

On March 30, 1990, April 19, 1990, and April 25, 1990, MDU received three refunds from WBIP totaling \$11,065,102 on a total Company basis. The refunds covered time periods dating back as far as to January 1, 1985, and ending as recent as April 25, 1990. The Company did not reflect the full effect of these refunds in its filing due to the recent receipt of the refunds and the lack of a detailed refund plan. The Company states that it will submit a detailed refund plan for Commission consideration by June 15, 1990.

In its application, MDU discusses the various WBIP filings before the FERC that have occurred since the time when the Commission established MDU's present gas cost tracking adjustment level. In addition, MDU notes that it was successful in negotiating

a \$.07/dk reduction in the price paid to an alternate gas supplier. After including the amortization of the Unreflected Gas Cost Account, the net effect of these changes is an increase of \$.148/dk for residential and general service customers and an increase of \$.195/dk for industrial customers. These changes would result in approximately \$384,000 in increased revenues over the June 1, 1990 through November 30, 1990 effective period.

The proposed increases are calculated in the following table:

	<u>Residential and Commercial</u>	<u>Industrial Customers</u>
Current Gas Cost Adjustment	(\$0.225)	\$0.096
Unreflected Gas Cost Adjustment	<u>0.035</u>	<u>0.000</u>
Total Tracking Adjustment	(\$0.190)	\$0.096
Less: Total Tracking Adjustment - Current	<u>(0.338)</u>	<u>(0.099)</u>
Net Increase in Current Rates	<u>\$0.148</u> =====	<u>\$0.195</u> =====

As an alternative, the Company proposes no change in rates be made on June 1, 1990. Under the alternate proposal, MDU would recognize the change in current gas costs and the change in the Unreflected Gas Cost Adjustment for accounting and reporting purposes. The indicated increase of \$.148/dk for residential and general service customers and \$.195/dk for industrial customers would not be implemented as an increase in rates but would be considered a partial refund to sales customers until such time as a formal refund plan is adopted by the Commission. Additionally, the Company would continue to defer the previously mentioned \$38,000 revenue increase and track the difference with interest for implementation at the next change in gas rates.

The Commission accepts MDU's alternate proposal for purposes of this Interim Order. This proposal aids rate stability by holding rates at present levels while still

allowing some portion of the refunds to flow through currently to the Company's customers.

MDU will be permitted to track the revenues plus interest associated with the authorized \$38,000 revenue increase which has not yet been implemented.

The Commission finds that the unreturned balance of refunds must also be tracked by MDU and that interest must be accrued monthly at the Company's currently authorized overall rate of return, 10.828 percent on an annual basis. The Company received the last of the three refunds from WBIP on April 25, 1990. Interest shall be accrued from that date until the refunds have been returned to MDU's customers.

MDU states that it will file a proposed refund plan for Commission consideration by June 15, 1990. The Commission finds that MDU must also include testimony to explain the proposal in detail. The testimony must explain the methods considered by MDU and why the proposed method is superior to all others. The Company must explain in detail the types of costs to which the refunds pertain and how those costs were passed on to MDU's customers. Such explanation should demonstrate the amount of costs passed on to each customer class. MDU must also demonstrate the percentages of the refunds that will go to each customer class under the Company's proposed refund plan.

In granting this interim approval, the Commission stresses that the calculations and methodologies approved in this Interim Order will be closely scrutinized and, depending on the record in this proceeding, may be modified or disallowed in the Final Order.

Concerning a hearing in this proceeding, the Commission will issue a Proposed Procedural Order, and, if no objections to that proposed procedural schedule are received, the Commission will approve the Proposed Procedural Order as final.

MDU requests that this filing be accepted as being in full compliance with the filing requirements of the Commission. The Commission finds MDU's application to be a complete filing for interim purposes and defers its decision until the Final Order in this proceeding concerning MDU's request for a blanket waiver of the Commission's rules, regulations, etc.

The criteria by which the Commission may determine an appropriate interim adjustment in a tracking procedure are found in past Commission gas tracking orders and in the Commission's rules regarding interim relief.

Past Commission orders have established the following criteria to be met in the MDU tracking procedure:

- a.) Tracking increases are to be based on historic costs and volumes (Finding of Fact No. 6, Order No. 4476);
- b.) Interest is not to be imputed on the deferred gas cost balance (Finding of Fact No. 25, Order No. 4476a);
- c.) The appropriate gas mix on which to base a tracking procedure is that mix last approved within the confines of a general rate case; furthermore, that mix should apply to both the current and unreflected portions of a tracking procedure (Finding of Fact No. 5, Order No. 4742a); and
- d.) The Company should not annualize for new sources of gas not having an actual production history within the test year (Finding of Fact No. 6, Order No. 4742a).

The Commission's rules regarding interim relief are contemplated to provide relief on a "make-whole" basis and set forth the guidelines by which the Commission staff is to develop an appropriate level of interim relief. Among other things, the guidelines provide for normalization and annualization of test year booked net income and test year average rate base, utilizing the rate of return authorized in the Commission's most recent decision regarding the subject utility.

A cursory examination of the Company's application and accompanying exhibits in this proceeding indicates that the criteria enumerated in Finding of Fact No. 16 have been met. Furthermore, the tracking adjustment represents nothing more than normalization and annualization of test year booked net income, and, hence, constitutes an adjustment contemplated in the Interim policy rules. Consequently, the Commission finds the Company's request for relief in this Docket to be proper in this Interim Order.

However, the issuance of this Interim Order should in no way be misinterpreted to mean that any issue in this case has been decided before all the evidence has been presented and heard during the course of these proceedings.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, provides natural gas service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana rates and operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, that the Commission may, in its discretion, temporarily approve rate changes pending a hearing or final decision.

4. The rate levels and spread approved herein are a reasonable means of providing interim relief to MDU. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this Interim Order are found to be unjustified in the Final Order in this Docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

Applicant, Montana-Dakota Utilities Company, is hereby granted no change in rates so that a partial refund may be made to the Company's customers.

MDU must track and accrue compound interest monthly on the balance of the three refunds received from WBIP. Interest shall be accrued from April 25, 1990, until the refunds have been fully returned to the Company's customers. Interest shall be applied at the Company's approved overall rate of return, 10.828 percent on an annual basis.

MDU is permitted to continue to defer implementation of the \$38,000 increase authorized in Order No. 5399d. The Company is authorized to track the foregone revenues and accrue compound interest on the monthly balances resulting from the deferral. Interest shall be applied at the Company's approved overall rate of return, 10.828 percent on an annual basis.

Interim revenues granted herein are subject to rebate should the Final Order in this docket determine that a lower revenue level is warranted. Such a rebate would include interest at the rate of the Applicant's last granted return on common equity.

Interim approval of any matters in this proceeding should not be viewed as final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

The Commission accepts, for interim purposes, MDU's request that this is a complete filing and is in full compliance with the filing requirements of the Commission, and the Commission reserves final ruling on this request until a Final Order is issued.

DONE IN OPEN SESSION at Helena, Montana, this 1st day of June, 1990, by a 5
- 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.